

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201509044**

Release Date: 2/27/2015

Date: December 1, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X=

y=

z=

UIL

4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your purpose is to provide scholarships to individuals attending four-year, accredited colleges and universities in X.

Each year, you will publicize the availability of scholarships to X high school seniors through letters, publications, the Internet, high school counselors, or such other means of broad dissemination as you determine appropriate. Your board of trustees will be solely responsible for determining the amount of funds available for scholarships each year. You receive more than y applications per year and award z scholarships.

Scholarship candidates must meet the following minimum eligibility requirements:

- Candidates must be seniors graduating from high school or, for students described below, its equivalent (such as a home school program that satisfies the requirements of X law);
- Candidates must satisfy criteria measuring academic merit and scholastic aptitude (e.g., grade-point average, class rank or score on scholastic aptitude tests or college entrance exams) as determined by the board of trustees;
- Candidates must either (A) be classified as citizens or permanent residents of the United States under United States immigration laws as of the due date of the scholarship application (or such other date as the board of trustees may determine), and have attended high school or its equivalent in X for their junior and senior year (or such other period as the board of trustees may determine); or (B) have obtained approval under the federal Deferred Action for Childhood Arrivals process one month prior to enrollment at the chosen college or university (or such other date as the board of trustees may determine), and have attended high school in X for three years immediately preceding their graduation;
- Candidates must pursue or plan to pursue an undergraduate education at an educational institution described in section 170(b)(1)(A)(ii) of the Code (i.e., an institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are regularly carried on);
- The educational institution must be a fully accredited four-year public or private college or university in X, which is on a list of institutions approved by the board of trustees; and
- Candidates must meet all the scholastic and other college entrance requirements at the chosen college or university.

Disqualified persons (as defined in Section 4945 of the Code) with respect to your organization, and members of the selection committee and their respective family members (as defined in Section 4945 of the Code), are not eligible to receive scholarships.

The selection committee(s) will receive and review applications for scholarships from persons meeting the minimum eligibility requirements. The selection committee will then evaluate the scholarship candidates based on criteria that are reasonably related to the underlying purpose of the scholarship. The criteria will include, but not be limited to, the following:

- Prior academic performance

- Performance on tests designed to measure ability and aptitude for educational work
- Recommendations from instructors, counselors, principals and others
- Evidence of leadership in and service to the community and the school
- Motivation, character, ability and potential

After evaluation of the candidates under the above criteria, the selection committee(s) will designate one or more such candidates to receive scholarships.

Scholarships awarded under your program will consist of the two following components. The first component involves amounts paid to or for the benefit of the scholarship recipient to cover his or her tuition and fees for attendance at certain four-year, accredited X colleges and universities, his or her fees, books, supplies and equipment required for courses of instruction at the institution, and his or her room and board. You may permit a portion of the amounts to be used for opportunities to study abroad, provided the student receives academic credit for such study toward his or her degree. The second component involves a fixed sum per recipient paid to the university or college, for the benefit of the recipient, to cover the cost of supplemental activities or programs that may go beyond the student's regular courses of curriculum, but that the college or university nevertheless determines would aid the student in the pursuit of his or her studies. The college or university will have the discretion to determine the character of expenses to be covered, provided the funds are used to aid the scholarship recipients in the pursuit of their studies.

You will have one or more selection committees to manage different portions of the scholarship program. Such committees will be comprised of members of your staff and your board of trustees, as well as such non-staff and non-board members as the President or the board of trustees appoints from time to time. A selection committee may also utilize the technical, non-voting assistance of professional educators, former scholarship recipients, and other persons with helpful expertise. Members of a selection committee shall not be in a position to derive any private benefit, directly or indirectly, if certain potential recipients are selected for scholarships over others.

Each scholarship recipient will be required to sign a written agreement setting forth the terms and conditions of the scholarship, such as the specific purpose of the scholarship, its amount and duration, conditions and procedures for renewal, the institution to which it will be paid, requirements for reports, if any, including the due dates for such reports, and any other expectations of the recipient during the scholarship period.

If you pay scholarship funds directly to the educational institution, you will secure the institution's agreement that the scholarship funds will be used to defray the scholarship recipient's expenses or will be paid to the scholarship recipient only if the recipient is enrolled at such institution and his or her standing at such institution is consistent with the purposes and conditions of the scholarship.

If you pay scholarship funds directly to a scholarship recipient, you will secure from the recipient an agreement that he or she will furnish you with reports of his or her courses

taken and grades received in each academic period and proper receipts to evidence that the funds have been used by the recipient for the purposes determined under the scholarship. The reports must be verified by the educational institution attended by the recipient and must be furnished at least once a year, as well as upon completion of his or her studies at the institution. If you obtain information indicating that scholarship funds are not being used for the purposes of the scholarship, you will investigate the use of such funds. While conducting your investigation, you will withhold further payments to the recipient until any delinquent reports have been submitted. If you determine that scholarship funds have been improperly diverted, you will take all reasonable and appropriate steps either to recover the diverted funds or to ensure restoration of the funds and dedication of other scholarship funds held by the recipient to the purposes of the scholarship, and withhold further payments to the recipient until you have received the recipient's assurances that future diversions will not occur and you have required the recipient to take extraordinary precautions to prevent future diversions from occurring.

You will maintain records with respect to all scholarships made to scholarship recipients. Such records will include all information you obtain to evaluate the qualification of potential scholarship recipients, identification of the recipients, any information sufficient to establish that they are not disqualified persons, specification of the amount and purpose of each scholarship, any follow-up information you obtain in connection with your supervision of the scholarships, and your investigation and recovery of diverted scholarship funds.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations